DOCUMENT RESUME

ED 307 839 HE 022 197

TITLE	A Self-Instructional Course in Student Financial Aid Administration. Module 17--Evaluation of Student Aid Management: Self-Evaluation, Audit, and Program Review. Second Edition.
INSTITUTION	Office of Student Financial Assistance (ED), Washington, DC.; Washington Consulting Group, Inc., Washington, DC.
PUB DATE	20 Aug 88
NOTE	59p.; For related documents, see HE 022 181-198.
PUB TYPE	Guides - Non-Classroom Use (055) -- Tests/Evaluation Instruments (160)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	Administrator Responsibility; Administrator Role; *Audits (Verification); Compliance (Psychology); Educational Finance; *Federal Aid; Federal Government; Federal Programs; Higher Education; *Program Administration; Programed Instructional Materials; *Self Evaluation (Groups); *Student Financial Aid; *Student Financial Aid Officers
IDENTIFIERS	Department of Education; Higher Education Act Title IV

ABSTRACT

The 17th module in the 17-module self-instructional course on student financial aid administration discusses the evaluation of student aid management in terms of self-evaluation, audit, and program review. The full course offers a systematic introduction to the management of federal financial aid programs authorized by Title IV of the Higher Education Act to novice financial aid administrators and institutional personnel. This module explains how to identify common ways to evaluate student aid management, distinguish required evaluations from recommended ones, and identify compliance review areas in program reviews and audits. Information is provided on the following topics: the purpose of evaluation (types of evaluation and institutional responsibility); self-evaluation of student aid management (the purpose of self-evaluation and self-evaluation techniques); audits (e.g., federal and nonfederal audits, audit preparation and procedures, and common audit findings on compliance); and program reviews (e.g., preparing for a program review, exit interview, and responding to program review findings). A pre-test, post-test, glossary, and acronyms are included. Five appendices are: outline of a peer evaluation report; description of the program review process; description of the audit process; a list of materials for audit preparation; and examples of audit exceptions. Contains five references. (SM)

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A Self-Instructional Course in Student Financial Aid Administration

An Introduction and Guide to the Administration of Federal Title IV Student Financial Aid Programs

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HE 023197

A Self-Instructional Course in Student Financial Aid Administration

United States Department of Education
Office of Student Financial Assistance

Evaluation of Student Aid Management: Self-Evaluation, Audit, & Program Review

17

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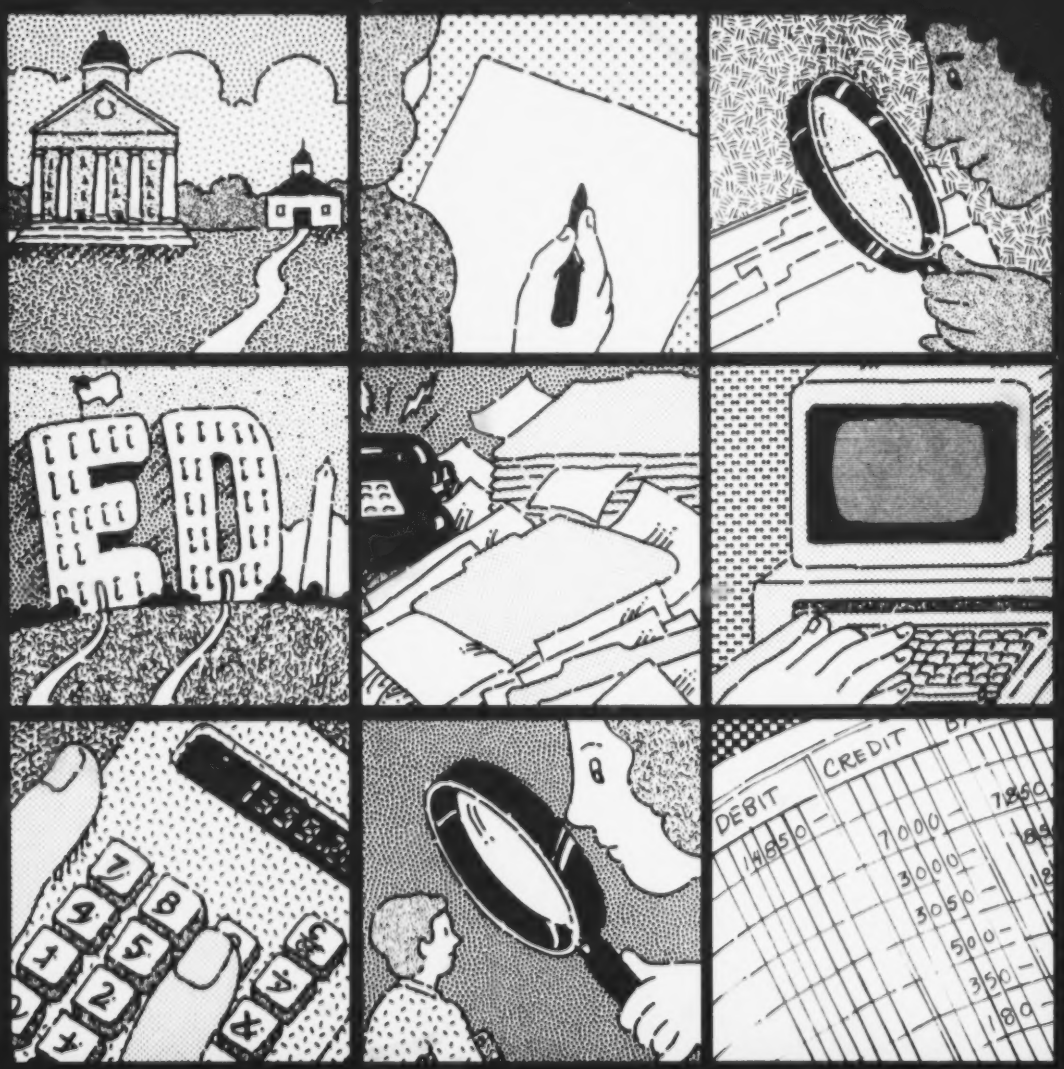

A Self-Instructional Course in Student Financial Aid Administration

United States Department of Education
Office of Student Financial Assistance

This publication is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course consists of the following modules:

1. Student Financial Aid Administration: Course Study Guide and Introduction to the Field
2. Federal Student Financial Aid: History and Current Sources
3. The Legislative and Regulatory Processes
4. Roles and Responsibilities of the Financial Aid Office
5. Title IV Institutional and Program Eligibility
6. General Student Eligibility
7. Calculating Cost of Attendance
8. Need Analysis
9. Award Packaging
10. The Pell Grant Program
11. The Stafford Loan, SLS, and PLUS Programs
12. Campus-Based Programs: SEOG, CWS, and Perkins Loan
13. Verification
14. Authorization, Fiscal Operations, and Reporting
15. Internal Aid Office Management and Institutional Quality Control
16. Forms and Publications
17. Evaluation of Student Aid Management: Self-Evaluation, Audit, and Program Review

The course includes a Support Booklet with the complete course glossary, acronyms, key resources, bibliography, and index, as well as addresses of publishers mentioned in the course. The Support Booklet also offers guidelines for further study.

UNITED STATES DEPARTMENT OF EDUCATION
WASHINGTON, D.C. 20202

October 1988

Dear Colleague:

We are pleased to present the Second Edition of A Self-Instructional Course in Student Financial Aid Administration. This updated version of the course originally published in 1986 incorporates provisions of the Higher Education Amendments of 1986, with 1987 Tecnnical Amendments and subsequent amendments.

The purpose of the course remains the same. It is designed to provide neophyte financial aid administrators (those with two years or less experience in student aid) and other institutional personnel with a systematic introduction to management of federal financial aid programs authorized by Title IV of the Higher Education Act. Students of the course will gain a fundamental understanding of the roles and responsibilities of participating institutions and of student aid administrators. On completion of the course, they will be prepared to expand this knowledge with the use of training and reference materials, on-site training opportunities, and contacts with other members of the profession.

The materials were revised under a contract with the Washington Consulting Group. The text was reviewed for technical accuracy by many staff members of the Office of Student Financial Assistance (OSFA). Special acknowledgement is due to both project staff and OSFA specialists for accomplishing very wide-ranging modifications of the text during a period when much legislative and regulatory activity affecting student aid was in progress.

Your comments and suggestions regarding any aspect of the materials are welcome. OSFA is particularly interested in learning 1) the level of experience and job responsibilities of personnel at your institution using the modules; 2) the purposes for which they are being used (for example, self-study, training new staff, reference); and 3) whether you feel that this publication is among those that OSFA should continue to update and disseminate annually. You may send your comments to the Training Branch, OSFA/ED, 400 Maryland Avenue S.W., Washington, D.C. 20202.

Sincerely,

Dewey L. Newman
Deputy Assistant Secretary for
Student Financial Assistance

Daniel R. Lau
Director, Student Financial
Assistance Programs

Enclosure

The following non-OSFA participants contributed to the development of this Second Edition of the course:

David Wyatt, Project Director
Washington Consulting Group
Washington, D.C.

Suzanne Thompson, Financial Aid Specialist
Washington Consulting Group
Washington, D.C.

Sarah Pratt Nesbitt, Financial Aid Specialist
Washington Consulting Group
Washington, D.C.

Carl Emerick
Montgomery College
Rockville, MD

Vicki Baker
George Washington University
Washington, D.C.

Mary Kahn, Corporate Officer in Charge
Washington Consulting Group
Washington, D.C.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1988 O - 222-546 (Book #1)

MODULE 17

EVALUATION OF STUDENT AID MANAGEMENT: SELF-EVALUATION, AUDIT, AND PROGRAM REVIEW

The technical information in this module is based on laws, regulations, policies, and procedures in effect as of:

August 20, 1988

This is one component of *A Self-Instructional Course in Student Financial Aid Administration*. This Second Edition of the course has been prepared by The Washington Consulting Group, Inc., under a contract with the U.S. Department of Education.

The course consists of 17 modules and a support booklet. It provides an introduction and guide to the administration of student financial aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. The titles of the modules are listed on the inside front cover of this publication.

Institutions may freely reproduce the course for their own use. For more information on the course, contact one of the Department of Education offices listed on the inside back cover of this publication.

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MODULE 17

EVALUATION OF STUDENT AID MANAGEMENT: SELF-EVALUATION, AUDIT, AND PROGRAM REVIEW

❑ LEARNING OBJECTIVES

After completing this module, you will be able to describe the required and recommended procedures for evaluation of student aid management. In particular, you will be able to:

- ✧ describe the regulatory audit requirements for the Title IV student aid programs;
- ✧ identify three common ways to evaluate student aid management;
- ✧ distinguish required evaluations from recommended evaluations;
- ✧ describe the purposes of institutional self-evaluation, federal program reviews, and federal and independent audits;
- ✧ outline the basic procedural steps in an institutional self-evaluation, a federal program review, a federal audit, and an independent audit;
- ✧ identify the compliance review areas in program reviews and audits; and
- ✧ understand the major areas of noncompliance findings in federal program reviews and audits.

❑ INTRODUCTION

The subject of this module is the evaluation of student aid management. One of the most difficult challenges facing the financial aid administrator is ensuring that the Title IV programs are administered in compliance with all applicable laws and program regulations. This responsibility includes understanding the regulatory requirements of the Title IV student aid programs and establishing and maintaining office policies and procedures consistent with those requirements. As a steward of public funds, the financial aid administrator has an obligation to the institution to manage the student aid programs in full compliance with regulations, and a professional responsibility to ensure that Title IV funds are used to assist only eligible students. Failure to fulfill these responsibilities may result in financial liability to the institution and a gradual erosion in public support of the student aid programs.

What is evaluation of student aid management? Simply put, it is the systematic review of an institution's policies, procedures, and overall administration of the financial aid programs. This review process is accomplished through a combination of optional and mandatory methods. Evaluation should be viewed as a positive activity with the potential to provide the information necessary for good management, and as a source of technical assistance. This module will address the evaluation of student aid management primarily as an institutional management tool, and secondarily as a means of measuring compliance.

PRE-TEST

1. ED chooses the schools that will undergo program reviews through an approach based on:

   a. selecting institutions according to an annual quota by geographic area for each ED regional office
   b. selecting only institutions that participate in the campus-based programs
   c. identifying institutions with the greatest need for technical assistance
   d. identifying institutions with the largest numbers of Title IV student aid applicants

2. Areas of noncompliance with regulations that are identified in an audit or program review may result in: (circle all that apply)

   a. financial liability for the institution
   b. no funding allocation for a period of 5 years for the aid program in which the noncompliance was identified
   c. specification by ED of required corrective actions
   d. limitation, suspension, or termination from participation in Title IV aid programs
   e. a dollar-for-dollar reduction in the following award year's allocation for the program(s) in which the noncompliance was identified

3. Independent auditors for nonfederal audits are selected by:

   a. the ED regional office of the Office of Student Financial Assistance (OSFA)
   b. the ED Inspector General's Office
   c. the aid administrator, with assistance from the regional student aid association
   d. the institution

4. A problem frequently cited in audits or program reviews is inadequate or missing documentation in student files. True or False?

5. Self-evaluation and peer evaluation allow an institution to: (circle all that apply)

   a. measure institutional compliance with the law and federal regulations
   b. improve management decisions, modify existing policies and procedures, and implement new internal controls
   c. improve the efficiency and effectiveness of the aid office
   d. prepare for an audit or program review
   e. qualify for additional Title IV funds
   f. schedule an independent, nonfederal audit at a 5-year rather than 2-year interval if there is a positive evaluation

6. Student aid management is commonly evaluated by means of: (circle all that apply)

   a. program reviews
   b. institutional self-evaluations
   c. reviews by student evaluative committees
   d. audits by ED's Office of the Inspector General or independent auditors
   e. audits by the Department of the Treasury

7. Regulations offer an institution the following options in scheduling a Title IV nonfederal program audit: (circle all that apply)

   a. conduct an annual audit under the Single Audit Act
   b. conduct an audit every 5 years
   c. conduct an audit every year
   d. conduct an audit every 2 years
   e. none of the above; there is no specific time frame for an audit

8. A financial aid audit covers:

   a. only the business office's operations
   b. the operations of the financial aid office, business office, and other administrative offices involved in student aid management
   c. all student service office operations
   d. only the financial aid office's operations

9. All institutions must undergo biannual program reviews (one review every 2 years) unless exempted by the Department of Education. True or False?

10. Which of the following elements are shared by both the program review and nonfederal audit? (circle all that apply)

    a. the compliance review
    b. the exit interview
    c. written findings
    d. the entrance interview
    e. working papers
    f. the letter of engagement

11. The primary purpose of any Title IV student aid audit is to examine the institution's fiscal records and financial statements for the Title IV programs. True or False?

12. Following an audit or program review in which areas of noncompliance were identified, an institution might: (circle all that apply)

    a. reconstruct records to document that student awards were made properly
    b. initiate a limitation on its participation in the Title IV programs
    c. respond in writing to program review findings of noncompliance
    d. take corrective administrative action
    e. submit audit working papers to the Department of Education
    f. repay federal funds which have been improperly expended

13. Which of these evaluative methods are required by regulation? (circle all that apply)
    a. program reviews
    b. peer reviews
    c. institutional self-evaluations
    d. student evaluations
    e. nonfederal independent audits

ANSWERS

1. c. (17.4.1)*
2. a., c., and d. (17.3.2, 17.3.9, 17.3.10, 17.4.6)
3. d. (17.3.5)
4. True. (17.3.10, 17.4.7.)
5. a., b., c., and d. (17.2.2)
6. a., b., and d. (17.1.1)
7. a., c., and d. (17.1.2)
8. b. (17.3.7, 17.3.8)
9. False. (17.4.1)
10. a., b., c., d., and e. (17.3, 17.4)
11. False. (17.1, 17.1.1)
12. a., c., d., and f. (17.3.9, 17.4.6)
13. e. (17.3.1.)

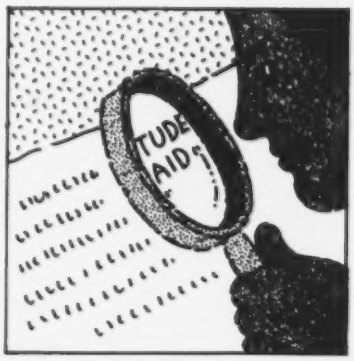
*For quick access to information on this question, see this section.

Questions: 13 Your Score:____ Percentage:____

EVALUATION OF STUDENT AID MANAGEMENT: SELF-EVALUATION, AUDIT, AND PROGRAM REVIEW

17.1 THE PURPOSE OF EVALUATION

The purpose of evaluation is to ensure that institutions administer student aid programs in compliance with applicable program regulations, and that needy students are being served in an efficient and timely manner by the aid office. Given these purposes, evaluation should not be viewed narrowly in terms of the required Title IV audit. Instead, it should be seen as an ongoing review of the institution's day-to-day administration of the financial aid programs.



To participate in the federal student aid programs, institutions must demonstrate the ability to administer the programs according to established regulatory standards. To accomplish this, institutions establish policies and procedures which provide the foundation of the day-to-day activities in the financial aid office. Evaluation measures actual performance against these standards.

As an ongoing process, evaluation identifies *potential* or *existing* problems. If problem areas are identified early, then there is an opportunity to revise procedures and to prevent potential financial liability for the institution. Postponing evaluation until an audit is required, however, is clearly dangerous. The institution may be unable to remedy instances of noncompliance if they occurred in prior years and remained undetected for a significant length of time.

Institutions also rely upon evaluation to monitor the overall quality and effectiveness of the services the aid office provides. They are naturally concerned with ensuring that students are provided with the best possible services and that aid office operations support institutional goals.

17.1.1 Types of Evaluation

Student aid management is most commonly evaluated using three different approaches:

There are three basic forms of evaluation:

- Self-Evaluations
- Audits (independent, federal, or state)
- Program Reviews (federal or state)

Self-Evaluation: Self-evaluation is considered to be a good management practice which prevents small problems from developing into big ones through early intervention. These may include internal reviews of policies, procedures, and overall performance, as well as peer and student evaluations.

Audits: Nonfederal independent audits are required for the Title IV programs by federal regulation. Federal audits are conducted by the U.S. Department of Education (ED) at selected institutions. Many states also require audits of institutions' administration of state programs.

Program Reviews: Program reviews are initiated and conducted by ED. They generally have a dual purpose:

- ✧ to determine whether the institution's management of the student aid programs complies with the law and program regulations; and
- ✧ to provide institutions with technical assistance.

17.1.2 Institutional Responsibilities in Evaluation

Federal regulations requiring Title IV audits allow institutions to choose from the following options:

✦ **Title IV Program Audits:** The institution may choose to have a separate audit of its Title IV programs. In this case, the audit may be annual or biannual:

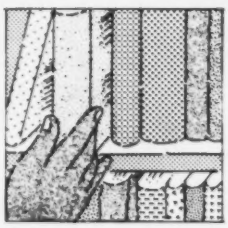
- ✧ The institution may undergo an *annual audit* of its Title IV programs. The audit is typically conducted in the fall or early winter and generally covers the period July 1 to June 30 of the preceding award year.
- ✧ The institution may undergo a *biannual audit* of its Title IV programs. The audit is typically conducted every other fall or early winter and covers two award years. One audit report may be submitted for the two award years.

Title IV audits must be submitted to ED by January 31 of the year following the last award year covered by the audit, unless the institution participates in campus-based programs (the SEOG, CWS, and Perkins Loan programs). Institutions participating in campus-based programs have a longer period to complete the audit--it must be submitted by March 31 of the award year following the last year covered by the audit.

✦ **Single Audit Act:** Federal regulations also permit institutions to have a combined *annual* audit of all programs at the institution, including the Title IV programs, under the Single Audit Act.* The combined audit may cover a designated period other than the period July 1 through June 30. The auditor that the school uses for the single audit may be the same one that usually audits the school's fiscal transactions. In these circumstances, it is particularly important to ensure that the auditor is sufficiently *independent* of those authorizing the expenditure of OSFA funds to produce an objective report.

*Chapter 75 of Title 31, United States Code

For more details on the criteria of *independence*, see the U.S. General Accounting Office's *Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.*



Institutions must have their Title IV records audited by an independent certified public accountant. Institutions are responsible for:

- ✧ contracting with a qualified independent auditor;
- ✧ ensuring that the audit is performed according to Department of Education standards; and
- ✧ submitting the audit report to ED by the deadline.

Institutions also may be selected for audit by federal auditors. This type of audit is conducted by federal officials, usually from the Department of Education's Office of the Inspector General (IG). Institutions must provide federal and nonfederal auditors with access to all institutional records related to their management of Title IV programs.

A *federal* audit, which usually covers only certain selected aspects of program management, does *not* satisfy the requirement for a school to have a nonfederal audit. However, a comprehensive *state* audit may satisfy this requirement.

Similarly, ED may determine that a program review of an institution is required. Again, the institution must provide the reviewers with access to all pertinent institutional records.

Audit and program review findings typically describe any noncompliance areas and generally require the institution to implement corrective actions. Institutions must respond in writing to a program review report. They also may submit a written response to the auditor's findings if they disagree with audit findings or conclusions. Written responses may include other pertinent facts, supporting documentation, special mitigating circumstances, and corrective actions already implemented by the institution.

An institution's response to audit findings may be incorporated into the final audit report or submitted as a

separate document to the ED Assistant Secretary for Postsecondary Education. The findings may include the improper expenditure of federal funds. Under these circumstances, the institution may be required either to reconstruct records to document that student awards were made correctly or, if this is not possible, to repay the improperly expended federal funds. Serious non-compliance violations may also result in fines, or limitation, suspension, or termination of the institution from participation in the Title IV programs.

17.2 SELF-EVALUATION OF STUDENT AID MANAGEMENT

17.2.1 The Purpose of Self-Evaluation

One major purpose of self-evaluation is to prevent compliance-related problems in student aid management. An effective self-evaluation program identifies problem areas and allows the institution to take corrective action *before* the problem is identified by a formal audit or program review. This eliminates the potential for financial liability. In many ways, ongoing self-evaluation of student aid management is "preventive" management.

Another major purpose is to provide the institution with an assessment of the effectiveness of its student aid operations. This assessment includes measuring the efficiency, timeliness, and quality of services to students.

Institutional self-evaluation is a form of quality control. For information on the development and implementation of an institutional quality control program for student aid management, see Module 15, Internal Aid Office Management and Institutional Quality Control.

17.2.2 Self-Evaluation Techniques

Institutions approach self-evaluation in many different ways. The NASFAA publication *Institutional Guide for Financial Aid Self-Evaluation* is widely used by financial aid administrators. This publication provides a step-by-step, comprehensive outline of financial aid practices and procedures. It covers the legal and regulatory requirements, and includes the compliance review steps followed by an auditor or program reviewer. Many institutions use this publication to prepare for audits and program reviews by evaluating a significant sample of student files against each procedural checkpoint. The organization of the material and the regulatory citations also make it a useful reference and training guide.

The format of the *Guide*, shown below, organizes questions by program area, along with a regulatory citation for a required procedure. Offices at the institution are given the opportunity to test their compliance--program by program, and point by point.

These excerpts from the *Institutional Guide for Financial Aid Self-Evaluation* (eighth edition) are reprinted with permission of NASFAA. Copyright © 1987 by the National Association of Student Financial Aid Administrators.

COLLEGE WORK STUDY

Prepared by____ Date____
Reviewed by____ Date____

Reference	Question	Response
	IV. College Work Study (CWS) Program	
	A. In the Administration of the institution's CWS Program, does the institution ensure that:	
	1. Students work only for eligible employers?	yes__no__
P.L.99-498 sec.443	a. If the student is employed by a proprietary institution, is the student placed in on-campus jobs that furnish student services and do not involve solicitation of other potential students to enroll? (Effective October 17,1986.)	yes__no__
	b. If a student is employed in a private, for-profit organization, is the work restricted to academically relevant jobs?	yes__no__
675.22(e)(2)	2. The CWS work does not displace regular employees or impair existing service contracts?	yes__no__

Other Recommended Good Practices for the Administration of the CWS Program

Prepared by ___ Date ___
Reviewed by ___ Date ___

Practice	Comments
1. Each supervisor should receive written student employment procedures outlining the program purposes and regulations and the supervisor's responsibilities regarding the CWS program.	
2. All job referrals and confirmations should be made in writing showing the title, duties, hourly wage rate and any special conditions of employment.	

One of the key factors in effective self-evaluation is objectivity in the review of institutional policies, procedures, and operations. Peer evaluation by an external financial aid expert, another common self-evaluation technique, provides this element of

A procedural outline for conducting a peer evaluation appears in Appendix A.

objectivity. This outside expert can be a financial aid administrator from another institution or a financial aid consultant. An objective outside expert may be better able to assess the institution's compliance with program regulations and the overall effectiveness and efficiency of the day-to-day student aid operation.

Other self-evaluation techniques include:

- ✧ a comprehensive internal program for assessing all institutional operations and services, such as the quality control program discussed in Module 15;
- ✧ research and preparation of annual reports on financial aid operations; and
- ✧ student surveys and graduate follow-up studies which are used to evaluate student perceptions of financial aid services.

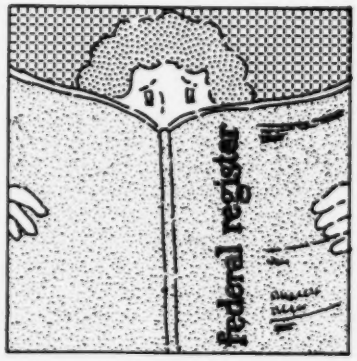
17.3 AUDITS

17.3.1 Federal and Nonfederal Audits

There are two types of audits--the nonfederal independent audit of Title IV programs and the federal audit. The *nonfederal* audit is required by regulation and scheduled by the institution. The institution is *required* to hire an independent certified public accountant (CPA) to perform the nonfederal audit. A *federal* audit is initiated and conducted by ED at institutions selected according to ED criteria.

The Department of Education selects institutions for federal audits and program reviews.

Both types of audits have a similar purpose, and result in the same type of review and subsequent action taken by the Department of Education. In both types of audits, institutions are required to provide access to institutional and program records, and to respond to any findings prior to final action by the Department of Education.



17.3.2 Federal Regulatory Requirements--Title IV Programs

Audits are required for two main reasons:

- ✧ to verify that the institution is reporting accurate financial information to ED on the various

expenditure reports, financial statements, and applications for federal funding; and

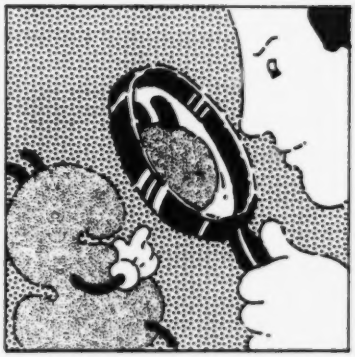
- ✧ to verify that the institution has established policies and procedures which comply with Title IV program regulations and is administering the programs in accordance with them.

The audit report will contain one or more of these three types of findings:

- ✧ no identified areas of noncompliance, or "exceptions"--this is confirmation that the institution is administering Title IV programs properly.

- ✧ identification of areas of noncompliance attributed to administrative oversight or human error, but not resulting in improper expenditures of federal funds.

- ✧ identification of areas of noncompliance resulting in the improper expenditure of federal funds.



As a result of the audit findings, an institution may, for example, be required to:

- ✧ revise administrative procedures;

- ✧ reconstruct documentation to establish that expenditures cited as improper were properly awarded and disbursed;

- ✧ implement corrective actions to prevent further improper expenditures of federal funds; and

- ✧ repay improperly expended federal funds.

There are various possible outcomes resulting from the Department of Education's review of the audit report. The institution is provided with an opportunity to submit its response to the audit report findings before final determinations are made by the Department of Education. Many findings can be resolved through additional explanation, documentation, and implementation of corrective action. The institution must take an active role in addressing findings included in the audit report.

In most cases, institutions and the Department of Education can work together to resolve a significant portion of audit report findings. However, sometimes it is necessary to fine an institution or to suspend, limit, or

terminate its eligibility to participate in Title IV programs. ED may take one of these steps if:

- ✧ the institution is unable or unwilling to provide access to institutional records.
- ✧ there is sufficient evidence that federal funds were intentionally misused (fraudulently expended).
- ✧ ED has evidence indicating that the institution is incapable of administering the Title IV programs.
- ✧ the institution is unable or unwilling to repay improperly expended federal funds.

Institutions are given the opportunity to provide additional documentation or explanations and to appeal any action taken by the Department of Education throughout an administrative action process. Section 17.3.9 discusses the appeal process further.

For regulations on Fines, Limitation, Suspension, and Termination proceedings for institutions participating in Title IV programs, see the General Provisions, 34 CFR 668.71-668.87.

17.3.3 Overview of the Audit Process

Title IV program audits can be performed on an annual or biannual basis. However, if performed as part of a combined audit under the Single Audit Act, the audit must be annual. If the required audit of the Title IV programs is done once every 2 years, the audit must encompass the entire 24-month period since the last audit.

Institutions are responsible for selecting an independent, certified public accountant to conduct the nonfederal audit. Most institutions arrange for all the Title IV programs and any other student aid programs to be audited at the same time.

The independent auditor retained by the institution must prepare an audit report according to standards outlined in the Department of Education's most recent *Audit Guide* for the federal student aid programs (see the next section for information on this publication). A combined report can be issued covering all of the institution's Title IV programs.

Four copies of the audit report(s) must be submitted to the appropriate Department of Education Regional Inspector General for Audit. Detailed information on the audit report submission requirements are included in the audit guides provided by the Department of Education.

Common Audit Practices

- combined audit of Title IV and non-Title IV student aid programs
- combined audit report for all Title IV programs
- incorporation of the student aid audit into the institution's annual fiscal audit
- simultaneous audit of all federal program funds received by the institution

Report Due Dates

If the institution receives campus-based funds:

- An annual audit report must be submitted by March 31 following the end of the award year; or
- A biannual audit report must be submitted by March 31 following the end of the most recent award year covered by the audit.

If the institution does not receive campus-based funds:

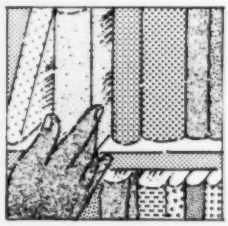
- An annual audit report must be submitted by January 31 following the end of the award year; or
- A biannual audit report must be submitted by January 31 following the end of the most recent award year covered by the audit.

The financial aid administrator, chief fiscal officer, president or chief executive officer, and members of the institution's governing board should also receive copies of the audit report.

For a description of the audit process, see Appendix C.

17.3.4 Audit Guide for Federal Student Financial Assistance Programs

The Department of Education provides nonfederal and federal auditors with written instructions regarding audit procedures for the Title IV programs. Audits must be conducted according to guidelines in the Department of Education publication, *Audit Guide, Student Financial Assistance Programs*.



See the Department of Education's *Audit Guide, Student Financial Assistance Programs*, 1988.

The purpose of the *Audit Guide* is to assist independent certified public accountants and federal auditors in performing the required student aid audits in accordance with general accounting standards and the standards for financial and compliance audits. It translates the legal and regulatory requirements of the Title IV student aid programs into general accounting standards and practices recognized by professional certified public accountants.

The *Audit Guide* contains an outline of required and recommended steps the auditor should follow to evaluate the institution's management of the student aid programs. The *Audit Guide* also contains instructions on the format of the actual audit report. This includes items which must be addressed in the report and additional ones which may be included at the auditor's discretion. Sample reports and schedules are also provided.

Your institution's financial aid administrator and chief fiscal officer should be familiar with the Department of Education *Audit Guide*. It will describe objectives of the audit, the procedures to be followed, and major areas of compliance to be reviewed during the audit. The *Audit Guide* is a basic resource in the evaluation of administrative policies, procedures, and operations in preparation for the audit.

17.3.5 Institutional Selection of an Independent Auditor

The institution has considerable freedom in selecting a certified public accountant to perform the required nonfederal audit of the Title IV programs. The Department of Education and the General Accounting Office policies do provide some guidance in making the selection.

To perform the audit as required by ED, the auditor must be sufficiently "independent" of the institution to ensure an objective and honest evaluation of its management of the student aid programs. Opinions, conclusions, judgments, and recommendations included in the audit report must be objective and impartial.

Although the institution must pay for the audit, the CPA is professionally obligated to report all findings--even findings that reflect negatively upon the institution's management of student aid programs. It is ultimately the responsibility of the Department of Education to review the findings of the certified public accountant and to determine the action that must be taken as a result of the audit report.

Institutions should consider the following points in selecting an auditor:

- ✧ Does the auditor or audit firm have previous experience in auditing Title IV student aid programs? Can favorable references be provided?
- ✧ How much will the audit cost the institution?
- ✧ How many auditors will be assigned to the audit? When will the work be performed? How long will the audit take?
- ✧ Will the auditor expect assistance from the financial aid administrator or the clerical staff? How much staff time will be required for meetings with the auditor?

An institution should contact its regional office of the ED Inspector General for Audit if it has questions regarding qualification standards required for an auditor or audit firm.

The use of an internal auditor presents special concerns about "independence." The Department of Education must have given permission to an institution to use an internal auditor to conduct the mandatory audit of Title IV programs.

ED is not currently entertaining new requests from institutions wishing to use an internal auditor. Institutions previously granted permission to use an internal auditor may continue to do so.

17.3.6 Letter of Engagement, Entrance and Exit Interviews

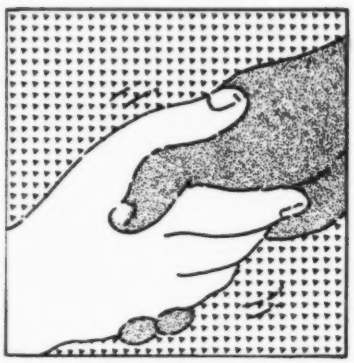
Once an institution has selected an auditor or audit firm for a nonfederal audit, a written confirmation of the agreement, called a letter of engagement, should be

prepared. While there is no set format for this letter, it should include at a minimum the following items:

- ✧ confirmation that the audit will be performed in accordance with GAO standards and ED's *Audit Guide*, regulations, and published policy;
- ✧ the objectives of the audit, including the names of the programs to be audited;
- ✧ anticipated fees and expenses to the institution;
- ✧ the time frame of the audit work, and confirmation that the audit report will be issued by ED deadlines; and
- ✧ a list of records and other assistance to be provided by the institution.

General accounting standards and the standards for financial and compliance audits are published in the U.S. General Accounting Office's *Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.*

The purpose of the letter of engagement is to protect the interests of both the institution and the auditor or audit firm by providing written confirmation of the arrangements agreed upon. The letter must be signed by an authorized institutional officer and by the auditor or another representative of the audit firm.



The entrance and exit interviews are important components of the audit process. Their primary function is to establish formal communication between institutional personnel and the auditor.

The entrance interview should be held immediately prior to the start of the audit. The financial aid administrator, chief fiscal officer, the president (or chief executive officer) or his/her representative, other institutional staff involved in the audit, and the auditor should attend. During this meeting the auditor provides those present with an overview of the audit purpose and process. Questions that arise are addressed in order to promote a positive, cooperative climate between institutional staff and the auditor.

The exit interview should be held immediately following the completion of the audit, but before the preparation of the final audit report. The same staff members who attended the entrance interview may be present. At a minimum, the financial aid administrator, chief fiscal officer, and auditor should attend. The exit interview has two main purposes:

- ✧ to provide the institution with a general understanding of what will be included in the audit report; and

- ✧ to provide the opportunity for institutional personnel to review the auditor's findings to determine whether any audit findings resulted from misunderstandings or misinterpretation of institutional records.

At the end of the exit interview, institutional staff should have a clear understanding of the contents of the final audit report to be sent to the Department of Education.

17.3.7 Audit Preparation

As we mentioned earlier, the best preparation for a federal or nonfederal audit is a thorough self-evaluation of the institution's student aid management. This allows the institution to assess its current state of compliance with program regulations.

Additional steps the institution can take to prepare for the audit include a review of:

- ✧ the *Audit Guide* by the financial aid administrator and chief fiscal officer;

- ✧ student aid files by the financial aid administrator to ensure that they are up-to-date and organized; and

- ✧ institutional policies and procedures for the management of federal student aid funds to ensure that they are in writing, complete, and up-to-date.

The *Audit Guide* is mailed routinely to the institution's financial aid and business or fiscal officers. Additional copies may be requested from ED's Federal Student Aid Information Center.

The auditor will require access to institutional records usually maintained in offices other than the financial aid office, such as student class schedules, final grade reports, and IPEDS Report data housed in the registrar's office. The financial aid administrator should alert other staff members to the need for making the data available.

IPEDS stands for the Integrated Postsecondary Education Data System. It is a system of surveys in which ED collects data from all postsecondary institutions. The areas covered in IPEDS include institutional characteristics, enrollment data, program completions, finance, staff, and salaries. An institution completes an IPEDS survey questionnaire annually.

Many institutions collect required records and documents for the use of the auditor prior to the audit. In many cases, the auditor will need copies of these documents to include with the audit work papers. These documents may include:

- a copy of ED's most recent program review report (if the institution has undergone a program review)
- the most recent nonfederal independent audit report submitted to ED, the institution's response, and any subsequent action taken by the institution as a result of the last audit
- the institution's financial aid application form (if the institution requires students to submit one)
- approved need analysis forms and related manuals
- the current Title IV *Audit Guide*, regulations, policy statements ("Dear Colleague" letters and Q&As), and informational updates (such as Pell Grant Action Letters)
- the *ED Payment Management System Users Manual* and *The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs*
- the institutional catalogue and other publications containing financial aid program information, policies, and procedures
- the financial aid office's written policies and procedures for:
  - selecting eligible students to receive campus-based funds from the pool of potentially eligible students
  - packaging policies
  - determining a student's ability to benefit, if applicable
  - satisfactory academic progress policies
  - cost of attendance or student budgets
  - institutional refund policy
  - overview of processing procedures from the time of a student's application to actual disbursement and the completion of required reports
- the most recent program participation agreement for the Title IV programs and ED eligibility letters
- the FISAP with expenditure reports for the year(s) under audit

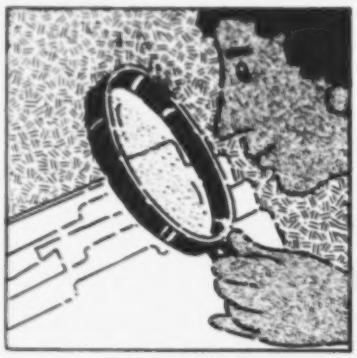
- ✧ Stafford/SLS/PLUS Student Confirmation Reports
- ✧ the campus-based authorization letter and Pell Grant Program Statements of Account for the year(s) under audit
- ✧ the Pell Grant payment schedule(s), Institutional Payment Summary (IPS), and Statements of Account for the year(s) under audit
- ✧ Student Payment Summaries for the year(s) under audit
- ✧ samples of other forms used in the administration of the programs
- ✧ ED/PMS quarterly reports of expenditures for the year(s) under audit

Advance preparation in organizing records which will be needed by the auditor will contribute to a smooth-running audit.

17.3.8 Audit Procedures

The procedures to be followed by the auditor in conducting a federal or nonfederal audit of Title IV programs will be based upon the general outline of compliance tests provided in the Department of Education *Audit Guide*. This publication provides a summary of the items which will be reviewed by the auditor to assess compliance with program regulations. The audit generally will include a review of the following areas:

Institutional Eligibility and Participation: Confirmation of the institution's eligibility to participate in the Title IV programs through the evaluation of the institution's accreditation status, admissions policies, withdrawal rates, and student loan default rates.



Institutional Administrative Capability: An assessment of the adequacy of the facilities, of staff levels and training, and of procedures for coordinating all sources of financial aid received by students.

Prior ED Program Review and Federal Audit Reports: A review of federal program review and audit reports (if the institution has undergone these forms of review) and the most recent Title IV nonfederal independent audit report. This enables the auditor to assess the institution's

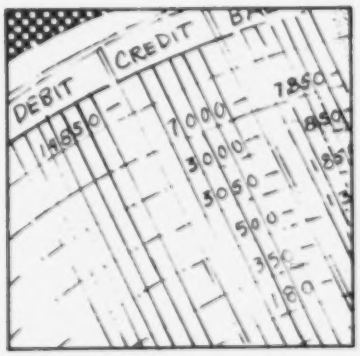
compliance with recommended corrective actions and to comment on prior audit resolutions.

Cash Management: A review of the institution's handling of federal cash and of levels of cash on hand to ensure that program funds are properly accounted for and are used solely for authorized purposes. This includes internal controls in place to prevent abuse or misuse of federal funds or the retention of excess federal cash.

All cash in the Perkins Loan Fund must be maintained in:

- interest-bearing insured bank accounts
- low-risk income-producing securities

Financial Reporting: A review of the various federal program reports submitted by the institution to the Department of Education and of the institutional financial records used to complete these reports. This review verifies that the financial data submitted on the federal reports is accurate and presented in accordance with applicable regulations.

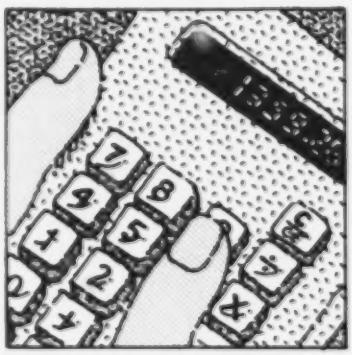


Fiscal Records and Recordkeeping: A review of the audit trail supporting student award payments, the division of authority between financial aid and business (fiscal) offices, the institution's recordkeeping system, the reconciliation of financial aid and fiscal records, bank accounts containing Title IV funds, fiscal transactions such as the deposit of institutional matching funds, and fund transfers.

Student File Maintenance: A review of the institutional records used to document student eligibility, including citizenship, financial need, satisfactory academic progress, and calculated award amounts. In addition, the auditor must determine whether required statements and certifications (such as Selective Service registration status, statement of educational purpose, loan default, grant repayment status, and employment certification) are in the student's file.

For more information on employment certification requirements and INS Form I-9, see Section 12.10 of Module 12.

Institutional Disbursements to Award Recipients: A review of the institution's disbursement procedures for financial aid awards, including student eligibility determination prior to disbursement, the method and frequency of payments, and restrictions on disbursement amounts.



Refund Calculation and Overpayment Determination Procedures: A review of the institution's procedures to allocate a refund to Title IV accounts upon a student's withdrawal from the institution, to ensure that the institutional procedures comply with the program regulations and that refunds are paid promptly.

Specific Program Compliance Requirements: A review of awards made from the Pell Grant and campus-based programs, and of certifications and check handling under the Stafford Loan, Supplemental Loans for Students, and PLUS programs, to verify that expenditures in each of the programs were made in accordance with the specific program's student eligibility requirements and other administrative requirements. The auditor must also determine whether required documents for the CWS and Perkins Loan programs are present, complete, and, if necessary, secured.

Auditors generally establish an overall plan for conducting the audit of the Title IV programs. Many auditors perform compliance review steps simultaneously. For example, the auditor may select a sample of student aid recipients' records and perform an eligibility compliance test for each of the Title IV programs from which each student received funds.

The steps used by the auditor to carry out the audit of Title IV programs must be written and incorporated into the auditor's records. These records, generally referred to as the audit "working papers," also include a detailed analysis of questions, resolutions, and findings made during the performance of the audit. These detailed records are maintained by the auditor or audit firm. They are subject to inspection and review by the Department of Education.

An auditor's detailed records, compiled during the audit, are commonly referred to as audit *working papers* and are subject to review by the Department of Education.

17.3.9 Audit Reports and Institutional Responses to Audit Findings

In a federal audit, the audit report will be prepared by the Department of Education. In a nonfederal independent audit, it will be prepared by the auditor or audit firm according to the guidelines provided in the *Audit Guide*.

If auditors have questions on the format or content of the audit report, they should contact the appropriate Department of Education Regional Inspector General for Audit.

There are two basic options for the format of the nonfederal independent audit report, depending upon the audit procedure selected by the auditor. If the audit of Title IV programs is conducted as part of an institution's broader audit of its own financial operations, one set of reporting recommendations applies.* If it is performed separately, a second set of guidelines applies. These options for conducting the audit and preparing the audit report should be examined before the audit begins.

*If the financial aid audit was conducted as part of an institution's audit of its financial operations, the audit report must include the basic financial statements of the institution as a whole, in addition to Title IV financial statements.

In general, both approaches result in an audit report which includes the following items:

- ✧ a financial statement of changes in student aid program fund balances and a schedule of award disbursements and expenditures for each Title IV program included in the audit;
- ✧ the auditor's conclusions on whether internal accounting controls meet generally accepted accounting standards;
- ✧ the auditor's comments on whether the institution's student aid operations comply with the law and program regulations (areas of noncompliance, with or without questioned expenditures, are generally included in this section of the audit report); and
- ✧ the auditor's comments on any prior program review or audit resolutions relating to the Title IV programs.

It is important to realize that the auditor is required to report all findings in the audit report sent to ED. It is ED's responsibility to determine what action will be taken as a result of the information included in the audit report. The institution can, however, provide additional information to accompany the audit report.

The Department of Education, not the auditor or audit firm, is responsible for final determination on action to be taken by the institution or ED as a result of audit findings.

If the institution disagrees with an audit finding, it may include its response to the finding in the audit report or may submit a separate response to ED. It may also inform ED of any corrective actions it has implemented to respond to any concerns about administrative practices cited in the report.

If a response is not submitted with the audit report, the institution will receive a letter from the Inspector General's Office requesting that any written response the institution may wish to submit be sent to ED within 30 days. It is the Department of Education, and not the auditor or audit firm, that is responsible for the final determination of any action to be taken by the institution or ED as a result of the audit findings.

Institutions are given at least 30 days from the date of receipt of the letter from the Regional Inspector General for Audit to make a formal response to the audit report.

The audit report is reviewed by the regional office of the ED Inspector General for Audit to ensure that it complies with the government's auditing standards. It is then forwarded to OSFA personnel for review. ED officials review the audit report, the institution's responses to findings, and any additional information provided by the

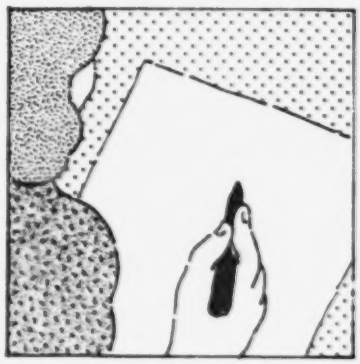
institution before determining what action is to be taken. They may:

- ✧ agree with the auditor's findings;
- ✧ modify the auditor's recommendations; or
- ✧ seek additional information from the institution.

The institution is notified in writing of the Department of Education's final determinations. If there is a determination of improper expenditures of Title IV program funds, ED will determine the dollar amount of the liability and request that funds be repaid.

The institution may appeal ED's determination, providing additional documentation to support its appeal. The appeal must be made within 45 days of the institution's receipt of the final audit determination letter sent by ED. An ED official must resolve the appeal informally or arrange for a hearing with an administrative law judge. If a hearing is arranged, the administrative law judge will hear the evidence and arguments presented by both parties and will rule on the dispute. The judge's decision may be appealed to the Secretary of Education, in which case the Secretary's decision is final.

Institutions are given 45 days from the date of receipt of the final audit determination letter from ED to make a formal appeal.



Once matters reported by the auditor in the audit report have been resolved, the institution receives a letter from the Department of Education confirming that the audit has been closed.

17.3.10 Common Audit Findings on Compliance

There are three basic types of audit findings dealing with compliance that are of particular concern to the financial aid administrator. These basic findings are:

✦ **No Compliance Exceptions Noted by the Auditor:** This finding means that the auditor did not detect any areas of noncompliance in the review of the institution's policies, procedures, overall management, and expenditures of federal student aid funds. Assuming there are no other problems cited in the audit report, this type of audit finding is generally regarded as a "clean audit" by the institution.

✦ **Areas of Administrative Noncompliance but No Expenditures Challenged:** These types of findings result from administrative problems. They require the

institution to implement corrective action, but do not require repayment of funds. For example, the institution's internal controls for coordinating all student aid sources may be found to be inadequate.

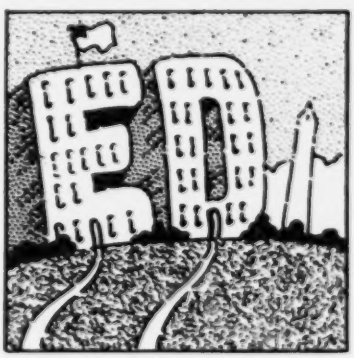
✦ **Areas of Noncompliance which Resulted in the Improper Expenditure of Federal Program Funds:** Audit findings which challenge the expenditure of federal funds are the most serious. The most common examples of this type of audit exception are the awarding of program funds to ineligible students and the awarding of student aid in excess of financial need. These problems are likely to require the institution's repayment of federal funds. The institution must repay funds identified in an audit exception within 45 days from the date it receives the final audit determination or final program review determination.

In addition to audit findings, the audit report may include recommendations to the institution. These recommendations generally address areas which are in compliance, but could be improved with procedural changes. The recommendations should be given careful consideration as a part of the institution's self-evaluation of its management of the student aid programs.

17.4 PROGRAM REVIEWS

Federal program reviews are conducted at postsecondary institutions, lenders, and guarantee agencies selected by ED. The discussion in this module will focus on reviews at postsecondary institutions. Program reviews are performed by federal officials. The purpose of the program review is similar to that of the nonfederal independent audit. It serves to evaluate management of the student aid programs to ensure compliance with the law and program regulations.

For a description of the program review process, see Appendix B.



The important difference between these two forms of evaluation is that the program review has a second important purpose--to provide technical assistance to the institution. Institutions will benefit from the technical assistance provided as part of a program review.

The program review process is similar although shorter in length and less detailed than the audit process. It includes an evaluation of the institution's financial aid office operations and an examination of its fiscal and

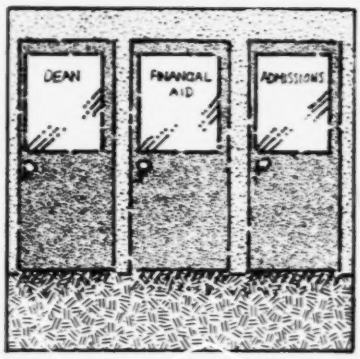
accounting procedures. A written report of findings is prepared by federal officials and sent to the institution. The institution is required to respond to any findings of noncompliance.

17.4.1 How an Institution Is Selected for a Program Review

The Department of Education has established a targeted, priority approach to selecting institutions for program reviews. The basic purpose behind this approach is to identify institutions which appear to have problems in managing the programs and seem to be in the greatest need of technical assistance. A uniform set of factors and criteria, measuring overall management of the Title IV programs, is used to identify these institutions. All participating institutions are evaluated against these criteria.

About 80% of the program reviews are conducted on the basis of this priority review system. The remaining 20% of the program reviews are conducted at institutions selected by regional offices of the Department of Education.

17.4.2 Preparing for a Program Review



The best preparation for a program review is to follow the same procedures as for an audit. The program review assesses the policies, procedures, and operations of the financial aid office. Because of this, it is important that the office policies and procedures manual be up-to-date for review by federal officials.

Federal officials conducting a program review may not require access to all of the information needed during an audit. However, it may be beneficial to gather the same information outlined in Section 17.3.7. in preparation for the program review.

17.4.3 Procedures Followed During a Program Review

Program reviews are usually conducted by federal officials from the Department of Education's regional offices. However, it is possible that federal officials from ED's central office in Washington will conduct or participate in the review.

ED will make every attempt to arrange a mutually acceptable time for the review. The institution will generally be asked to assemble materials such as its catalogue, application forms, student consumer publications, and award packaging worksheets and to send them to ED prior to the on-site visit by the reviewers.

Entrance and exit interviews are again very important components. The entrance interview is held immediately before the actual review. It allows ED reviewers to explain the purpose and the program review process to appropriate institutional officials. It also establishes a positive climate and promotes communication between the reviewers and institutional staff.

The program review usually centers on the financial aid and fiscal offices. The reviewers spend a significant amount of time gaining an understanding of the procedures followed in these two offices. This understanding increases their ability to provide technical assistance to the institution. Generally, the review will focus on the way these two offices handle the regulatory requirements that are specific to Title IV programs.

In the financial aid office, reviewers usually select a sample of student financial aid files to examine. They will also request additional information such as admissions records, grade reports, and student account records on the selected students. This examination of the financial aid "processing trail" on these students allows reviewers to assess the institution's compliance with regulations and adherence to its policies. They will also confirm that corrective actions have been implemented to address any previous program review or audit deficiencies.

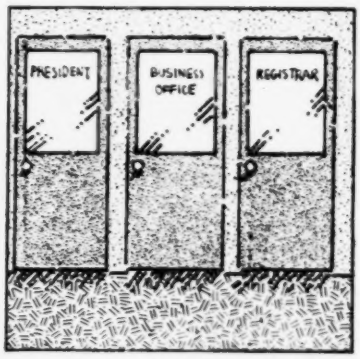
The program review also includes an examination of federal reports and fiscal and accounting records in the institution's business office. Reviewers request program ledgers to trace disbursements from federal program accounts to student accounts, and to compare federal expenditure reports with institutional fiscal records.

17.4.4 Exit Interview

In addition to a review of the findings resulting from the program review process, the exit interview provides the institution with an opportunity to benefit from the technical knowledge of the program reviewer. During the

exit interview, institutional personnel will be informed of the major findings that will appear in the written program review report. Required corrective actions may be discussed.

The program reviewer also will use the exit interview to make recommendations regarding needed improvements in the institution's management of Title IV programs. An overall review of financial aid office operations may indicate a need for additional staff or more opportunities for formal training of existing staff. Federal program reviewers are regarded as objective experts in the field of student aid administration. As a result, financial aid administrators, fiscal officers, and other institutional administrators benefit from recommendations and suggestions made by program reviewers during the exit interview.



17.4.5 Program Review Report

The program reviewer prepares a written report of findings. This report is generally sent to the institution within 30 days of the on-site review. The report will include a detailed explanation of any noncompliance findings identified during the review and other recommendations discussed with institutional personnel during the exit interview. The report will also specify the corrective action for each finding. For example, if improper expenditures of federal funds were identified during the review, the institution may be asked to submit additional documentation to support the expenditures, or it will be assessed a financial liability.

As with an audit, institutions are given an opportunity to respond to all findings before the Department of Education makes a final determination.

17.4.6 Responding to Program Review Findings

Institutions must respond in writing to program review findings of noncompliance. Generally, the institution has 30 days to respond to the program review report. The institution may submit additional documentation to support expenditures of federal funds that have been questioned and may describe any corrective actions implemented as a result of the program review.

The Department of Education reviews the institution's response and makes a final determination to resolve each finding. The final determination may include a request

for repayment of improperly expended federal funds. The institution receives written notification of the final determinations. The program review is considered closed when the institution has complied with the required corrective actions.

17.4.7 Common Program Review Findings and Recommendations

Some of the most common areas of noncompliance identified by program reviews are:

- ✧ lack of due diligence in the collection of Perkins Loan repayments
- ✧ inadequate or missing documentation to support student eligibility
- ✧ required forms missing (for example, financial aid transcript, statement of educational purpose, and Selective Service registration compliance)
- ✧ aid awarded to a student in excess of financial need
- ✧ satisfactory academic progress standards not in compliance with program regulations or not uniformly implemented
- ✧ refunds due to federal accounts calculated improperly, not paid promptly, or not paid at all
- ✧ Stafford Loan refunds due to lenders made late or not at all
- ✧ improper transfers from federal accounts to institutional operating accounts
- ✧ financial information reported on federal reports (FISAP, *etc.*) which does not agree with institutional fiscal records
- ✧ insufficient documentation to support data on the institution's application for campus-based funding
- ✧ miscalculation of the Pell Grant cost of attendance

These are examples of common findings resulting from program reviews. Additional findings, unique to the institution's circumstances, also may be addressed as a result of the program review.

Improper transfers from federal accounts to institutional operating accounts will result in referral of the institution to the ED Inspector General's Office.

SUMMARY

The focus of our discussion in this module has been the evaluation of institutional management of student financial aid. The various evaluation methods, whether required by regulation or institutionally or federally initiated, serve as a means of determining an institution's compliance with program regulations and measuring the quality of its services to students.

The major evaluative techniques are self-evaluations, audits, and program reviews. Self-evaluation is recommended rather than required and may take such forms as an institutional review, a peer evaluation by an outside financial aid expert, or a student survey.

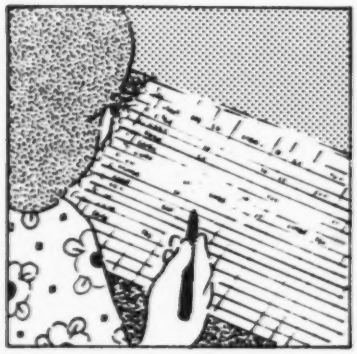
There are two forms of audit--independent, nonfederal audits, initiated by the institution and required to be conducted at least biannually; and federal audits of selected institutions, conducted by the regional office of the ED Inspector General for Audit. The institution is responsible for retaining a certified public accountant to conduct the independent, nonfederal audit.

Program reviews are evaluations of overall program administration conducted by ED reviewers at selected institutions. They provide these institutions with a compliance review and valuable technical assistance.

Self-evaluation often is used to prepare an institution for the more formal audit and program review requirements. Audits and program reviews share procedural approaches to evaluation. A representative sample of student files generally is examined for required documentation, and the flow of information supporting student eligibility, financial aid awards and payments, and other financial transactions are traced through all administrative offices (business, registrar's, admissions, *etc.*) involved in the student aid process. Student aid office policies and procedures and required internal controls are also reviewed.

Audits and program reviews result in findings. These findings are presented in reports prepared for the institution and the Department of Education. There are three categories of findings:

- ✧ no compliance exceptions;
- ✧ noncompliance and audit exceptions in administrative areas requiring corrective action, but without assessed liability; and
- ✧ noncompliance involving improper expenditures and resulting in assessed liability.



Institutions must respond to audit and program review findings. In their responses they should detail mitigating circumstances, provide documentation to support questionable expenditures, and outline corrective actions taken in noncompliance areas. The end product of all these evaluative methods is improved management of the aid programs and a higher level of service for an institution's students.

POST-TEST

1. Which of these evaluative methods are required by regulation? (circle all that apply)

   a. peer reviews
   b. student evaluations
   c. nonfederal independent audits
   d. institutional self-evaluations
   e. program reviews

2. Regulations offer an institution the following options in scheduling a Title IV nonfederal program audit: (circle all that apply)

   a. conduct an audit every 2 years
   b. conduct an audit every 5 years
   c. conduct an audit every year
   d. conduct an annual audit under the Single Audit Act
   e. none of the above; there is no specific time frame for an audit

3. A financial aid audit covers:

   a. only the financial aid office's operations
   b. only the business office's operations
   c. the operations of the financial aid office, business office, and other administrative offices involved in student aid management
   d. all student service office operations

4. All institutions must undergo biannual program reviews (one review every 2 years) unless exempted by the Department of Education. True or False?

5. Areas of noncompliance with regulations that are identified in an audit or program review may result in: (circle all that apply)

   a. no funding allocation for a period of 5 years for the aid program in which the noncompliance was identified
   b. limitation, suspension, or termination from participation in Title IV aid programs
   c. financial liability for the institution
   d. a dollar-for-dollar reduction in the following award year's allocation for the program(s) in which the noncompliance was identified
   e. specification by ED of required corrective actions

6. Student aid management is commonly evaluated by means of: (circle all that apply)

   a. reviews by student evaluative committees
   b. institutional self-evaluations
   c. audits by the Department of the Treasury
   d. program reviews
   e. audits by ED's Office of the Inspector General or independent auditors

7. The primary purpose of any Title IV student aid audit is to examine the institution's fiscal records and financial statements for the Title IV programs. True or False?

8. Independent auditors for nonfederal audits are selected by:

   a. the ED Inspector General's Office
   b. the institution
   c. the aid administrator, with assistance from the regional student aid association
   d. the ED regional office of the Office of Student Financial Assistance (OSFA)

9. Self-evaluation and peer evaluation allow an institution to: (circle all that apply)

   a. prepare for an audit or program review
   b. schedule an independent, nonfederal audit at a 5-year rather than 2-year interval if there is a positive evaluation
   c. improve management decisions, modify existing policies and procedures, and implement new internal controls
   d. improve the efficiency and effectiveness of the aid office
   e. measure institutional compliance with the law and federal regulations
   f. qualify for additional Title IV funds

10. Which of the following elements are shared by both the program review and nonfederal audit? (circle all that apply)

    a. the letter of engagement
    b. working papers
    c. the entrance interview
    d. written findings
    e. the exit interview
    f. the compliance review

11. Following an audit or program review in which areas of noncompliance were identified, an institution might: (circle all that apply)

    a. respond in writing to program review findings of noncompliance
    b. submit audit working papers to the Department of Education
    c. reconstruct records to document that student awards were made properly
    d. repay federal funds which have been improperly expended
    e. initiate a limitation on its participation in the Title IV programs
    f. take corrective administrative action

12. ED chooses the schools that will undergo program reviews through an approach based on:

    a. identifying institutions with the largest numbers of Title IV student aid applicants
    b. identifying institutions with the greatest need for technical assistance
    c. selecting only institutions that participate in the campus-based programs
    d. selecting institutions according to an annual quota by geographic area for each ED regional office

13. A problem frequently cited in audits or program reviews is inadequate or missing documentation in student files. True or False?

ANSWERS

1. c. By regulation, an independent nonfederal audit, conducted at specified intervals, is mandatory for all institutions participating in Title IV programs. ED may require selected institutions to undergo program reviews or federal audits. Peer reviews and self-evaluations are highly recommended, but not required by regulation. (For more information, see Section 17.3.1.)

2. a., c., and d. Federal Title IV regulations specify that audits must be conducted annually, biannually, or for a designated period under the Single Audit Act. (17.1.2)

3. c. The student aid and business offices have most of the records and reports needed in an audit review. Therefore, their operations are the primary focus of the audit. Other offices, such as the admissions, student employment, and registrar's offices, are also involved in the administration of student aid. Therefore, a review of their records, which provide supporting documentation for many aid office decisions, will also be included in the audit. (17.3.7, 17.3.8)

4. False. Institutions need to undergo a program review only when selected by the Department of Education. Selection is based on a targeted, priority approach in which those institutions which have had problems administering the aid programs are most likely to be chosen for the evaluation and technical assistance that a program review provides. (17.4.1)

5. b., c., and e. Areas of regulatory noncompliance fall into two categories: those that result in the improper expenditure of federal funds, and those that do not. Areas not involving improper expenditures require corrective action to prevent future noncompliance in these or related areas. Areas involving improper expenditures of federal funds may require: 1) reconstruction of documents supporting expenditures, if possible; 2) corrective action to prevent future noncompliance in these or related areas; 3) an assessment of financial liability against the institution; and 4) a possible fine, limitation, suspension, or termination of the institution from participation in the programs. Improper expenditures resulting from fraud or other criminal activity may result in: 1) an assessment of financial liability; 2) suspension or termination from the Title IV programs; and 3) possible fines and imprisonment. (17.3.2, 17.3.9, 17.3.10, 17.4.6)

6. b., d., and e. There are three major methods of evaluation of student aid management: 1) institutional self-evaluations; 2) federal program reviews; and 3) audits by ED's Office of the Inspector General or independent auditors. Independent nonfederal audits scheduled at least every 2 years are required by regulation. Institutional self-evaluations, while highly recommended, are not required. Participation in federal audits and program reviews is mandatory for those institutions selected by ED. (17.1.1)

7. False. Any audit of Title IV student aid programs, whether conducted by an independent auditor hired by the institution or the ED Inspector General's Office, consists primarily of an extensive review of compliance with program regulations. The remainder of the audit involves an audit of the institution's fiscal records and basic financial statements, and an evaluation of internal accounting controls. (17.1, 17.1.1)

8. b. The institution hires and pays an independent certified public accountant to perform mandatory nonfederal audits of its student aid programs. (17.3.5)

9. a., c., d., and e. Institutional self-evaluations and peer evaluations are an effective way to measure and monitor institutional compliance with existing laws and federal regulations. These evaluations examine the financial aid, business, and other administrative operations that support student aid management in the same manner as do audits and program reviews. This evaluation technique is an excellent way to prepare for an audit or program review. It also provides information necessary for sound management decisions, revisions of policies and procedures, and implementation of internal controls, thus improving the efficiency and effectiveness of the aid office. (17.2.2)

10. b., c., d., e., and f. The approach and procedural steps involved in a program review and an audit are similar. They are both composed largely of an extensive compliance review resulting in findings. They also begin and end with an entrance and exit interview between auditors or federal program reviewers and institutional officials. Working papers are a product of the audit and program review processes. (17.3, 17.4)

11. a., c., d., and f. An institution must always submit a written response to program review noncompliance findings. It may, but is not required to, submit a written response to audit findings. It may also have to implement corrective actions even if findings of noncompliance did not result in identification of improper federal expenditures. Findings of noncompliance identifying improper expenditures may require reconstruction of records to document expenditures and possible repayment of federal funds to ED. (17.3.9, 17.4.6)

12. b. A priority system established by the Department of Education identifies those institutions appearing to be in need of program reviews. The priority system is based on indications of possible noncompliance and need for technical assistance in program administration. (17.4.1)

13. True. Effective administration of Title IV programs involves both the collection and production of required documents. These documents verify student eligibility, serve as the basis for student aid awards and payments, and provide an audit trail of financial transactions involving federal student aid funds. Inadequate or missing documentation is one of the primary audit and program review findings that results in liability for an institution. (17.3.10, 17.4.7.)

Questions: 13 Your Score: Percentage:

audit	An independent examination of financial transactions, accounts, reports, and compliance with applicable laws and regulations to determine how well the institution is maintaining effective control over revenues, expenditures, assets, and liabilities; whether the institution is properly accounting for resources, liabilities, and operations; whether financial reports contain accurate, reliable, and useful financial information and are accurately presented; and whether the institution is complying with applicable laws, regulations, and ED directives. The audit also studies and evaluates the institution's internal accounting and administrative controls as well as the policies, procedures, and practices used in administering student financial assistance programs.
audit exceptions	Those actions found through an audit not to be in compliance with federal guidelines.
audit trail	A *clear audit trail* is the maintenance of required documentation to support each transaction for the receipt and expenditure of federal funds.
authorization (spending)	The approved level of expenditure for a program for an award year. The Department of Education notifies each participating institution of its tentative and final authorization(s), for each Title IV program in which it participates, for the upcoming award year.
award year	The period of time between July 1 of one year and June 30 of the following calendar year.
business office	The office responsible for financial accounting for an institution, including Title IV program activity. This office disburses award payments to students and student accounts and processes loan checks. It is sometimes referred to as the fiscal office, finance office, comptroller's office, bursar's office, or the student accounts office.
campus-based programs	The term that is applied to three federal Title IV student aid programs administered by eligible institutions of postsecondary education. These programs are the Perkins Loan (formerly National Direct Student Loan), College Work-Study, and Supplemental Educational Opportunity Grant programs.
cost of attendance (COA)	Those charges and allowances established by the institution that are applicable to students for attendance for one academic year. Generally, the COA includes tuition and fees; allowances for room and board, books, supplies, transportation and miscellaneous expenses, child care, dependent care, and certain handicap-related

	expenses. There are significant differences between these components in the Pell Grant and campus-based/GSL programs. See Sections 411F and 472 of the Higher Education Act of 1965, as amended, for provisions on establishing institutional costs of attendance. The term *cost of attendance* is often used interchangeably with *cost of education*.
disbursement	The process by which financial aid funds are made available to students.
documentation	Written statements explaining the logic and/or the steps followed which resulted in a specific action taken, given the particular set of circumstances.
due diligence	Full and timely disclosure to student borrowers of their rights and obligations through personal entrance and exit interviews; and the use of extensive, persistent, and forceful procedures for the making, servicing, and collection of student loans.
entrance interview (for the compliance audit)	A meeting prior to the beginning of an audit between the auditor and administrative officials involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar interview is conducted by a federal official conducting a program review.
exit interview (for the compliance audit)	A closing meeting following the completion of the audit between the auditor and administrative officials involved in the audit. General audit findings and conclusions which will be included in the audit report are discussed. A similar interview is conducted by a federal official conducting a program review.
federal audit	An audit conducted by an officer of a federal agency such as the Department of Education's Inspector General's Office.
Financial Aid Transcript (FAT)	A form used by educational institutions to collect data about Title IV and other financial aid received by a student at other educational institutions.
independent audit	An audit conducted by a certified public accountant hired by the institution and external to the institution.
overaward	The condition which exists when an institution provides financial assistance to a student which, in combination with all of the resources made available to that student from federal and nonfederal sources, exceeds the difference between the student's Cost of Attendance and the expected family contribution. While the above defines an overaward, an institution is not in violation of campus-based program regulations which prohibit overawards if: (a) the student receives funds after the institution awards aid and the total resources exceed his/her financial need by $200 or less; or (b) the student earns more money from employment than the

	institution anticipated when it made the award and it treats the earnings in accordance with program requirements.
program authorization	See **authorization (spending)**.
Program Participation Agreement	A written agreement that institutions and the Secretary of Education must sign. It permits the institution to participate in one or more of the Title IV student assistance programs, other than the State Student Incentive Grant (SSIG) program. This agreement makes the initial and continued eligibility of the institution to participate in the Title IV student assistance programs conditional upon compliance with the provisions of the applicable laws and program regulations.
program review	The process in which the activities of one or more of the financial aid programs of an institution are reviewed by the Department of Education to assess compliance with federal law and regulations and institutional policy. The review may also include a review of management and administrative capabilities.
program review exceptions	Those institutional policies, procedures, or actions relative to student financial aid programs which have been cited in a program review report as being contrary to the laws or regulations governing such programs.
refund	A refund by an institution means the amount paid for *institutional* charges for a payment period *minus* the amount retained by the institution for the portion of the payment period that the student was actually enrolled at the institution.
satisfactory academic progress	Regulations require that a student be making satisfactory academic progress to receive Title IV aid. Satisfactory academic progress is a term used to describe a satisfactory rate of course completion. To monitor academic progress, institutions must develop policies which satisfy federal requirements set forth in the General Provisions Regulations of December 1, 1987. The Higher Education Amendments of 1986 prescribe additional specific standards of satisfactory progress that must be met by students who have not received Title IV assistance prior to the 1987-88 award year. The institution must evaluate each student's satisfactory academic progress according to its policies and procedures and document the results of the review.
Statement of Educational Purpose	The student must sign this statement in order to receive federal student aid. By signing, the student agrees to use the Title IV student aid solely for education expenses. The 1988-89 SAR contains such a statement. The student must sign the statement on the SAR or a similar statement prepared by the student's school, and the statement included on a Stafford or SLS loan application.
student budget	See **cost of attendance**.

verification	Technical and administrative procedures for detecting and resolving inaccuracies in the data that a student has given when applying for federal financial aid. ED publishes a *Verification Guide* each year setting forth guidelines and procedures.

ACRONYMS

CEO	Chief Executive Officer.
FAT	Financial Aid Transcript.
IPEDS	Integrated Postsecondary Education Data System, an annual report to ED filed by the institution. This system was preceded by the Higher Education General Information Survey or HEGIS.

KEY RESOURCES

1. U.S. Department of Education, Office of the Inspector General, Office of Audit, *Audit Guide, Student Financial Assistance Programs*, Washington, D.C., OIG/ED, 1988.

2. U.S. Department of Education, Office of Student Financial Assistance, *Federal Student Financial Aid Handbook*, Washington, D.C., OSFA/ED, 1988.

   Chapter 2 of the Handbook covers eligibility and program participation requirements.

3. --------, *The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally-Funded Student Financial Aid Programs*, Washington, D.C., OSFA/ED, 1988.

4. National Association of Student Financial Aid Administrators, *Audits and Program Reviews*, Special Report Number 6, Washington, D.C., NASFAA, 1983.

5. --------, *Institutional Guide for Financial Aid Self-Evaluation (Eighth Edition)*, Washington, D.C., NASFAA, 1988.

The references listed above can be obtained by contacting the publishing organization. For U.S. Department of Education addresses, see the inside back cover or the Support Booklet. For all other addresses, see the Support Booklet.

APPENDIX A

OUTLINE OF A PEER EVALUATION REPORT

The outline that follows is a composite of actual evaluations performed by a financial aid consultant. The purpose of the outline is to provide a general idea of the types of subjects that can be covered in an evaluation report. The evaluation can be designed along several different lines:

1. A comprehensive evaluation comparable to the outline.
2. A targeted evaluation that selects a couple of functional areas for review, e.g. processing and awarding procedures.
3. A specialized evaluation that has a common theme, e.g. automation, that would not be limited to a specific functional area.

The type of evaluation appropriate for a particular institution depends on its own needs and circumstances.

I. Introduction and Scope of Evaluation

II. Current Status

- A. Organizational structure
- B. Staffing
  - 1. Professional
  - 2. Support
- C. Physical facilities and equipment
- D. Publications
- E. Program management
- F. Application processing procedures
- G. Awarding procedures
- H. Notification procedures
- I. Disbursement procedures
- J. Record systems
  - 1. Manual
  - 2. Automated
- K. Policy considerations
  - 1. Policy development
  - 2. Policy dissemination
- L. Public contact and student relationships
- M. Inter-departmental relationships
- N. Budgets
  - 1. Student aid
  - 2. Operating
- O. Funds management
- P. Management reports
- Q. Auditing
- R. Planning and evaluation

III. Summary and Recommendations

APPENDIX B

DESCRIPTION OF THE PROGRAM REVIEW PROCESS

A. Description

1. Purpose
   - ✧ Ensure proper administration of federal student aid programs
   - ✧ Provide technical assistance to institutions
2. Scope
   - ✧ Focus on operational aspects of student aid system
   - ✧ Cover fiscal and accounting procedures
   - ✧ May assess liabilities for incorrect practices
3. Frequency
   - ✧ Largely based on availability of OSFA staff and funds
4. Criteria for Institutional Selection
   - ✧ Established by ED

B. The Program Review Process

1. OSFA Notification
   - ✧ OSFA notifies institution 2 weeks in advance
   - ✧ Usually conducted by regional OSFA office, sometimes by central office
2. Preparation for Program Review
   - ✧ Have materials available--for example, see "A List of Materials for Audit Preparation" in Appendix D
   - ✧ Have student records well organized and accessible
3. Site Visit
   - ✧ Covers many different areas--see next page (Section C, Areas of Review)
   - ✧ Have at least one qualified person available to answer questions
4. Exit Interview
   - ✧ Reviewers meet with financial aid administrator and business officer and president or owner
   - ✧ Findings are summarized, recommendations are made
5. OSFA Report
   - ✧ Report sent to institution in 30 days
6. Institution's Response
   - ✧ Institution should respond to OSFA generally within 30 days of receipt
   - ✧ Response should include documentation
7. OSFA Evaluation and Final Report
   - ✧ OSFA evaluates institution's response and documentation
   - ✧ Completes final report including assessment of liabilities, if any

C. Areas of Review

A program review is a comprehensive evaluation of many facets of financial aid operations. While it is not possible to cover every question that might be addressed during a program review, the listing that follows is intended to provide a general idea of the subject areas reviewed. Both the *Institutional Guide for Financial Aid Self-Evaluation* and the OSFA program audit guides describe the subject areas in greater detail.

1. File Review
   - ❖ Aid application
   - ❖ Student eligibility
   - ❖ Financial Aid Transcripts (FATs)
   - ❖ Financial need
   - ❖ Award offer and acceptance
   - ❖ Award calculation
   - ❖ Award disbursement
   - ❖ Statement of Educational Purpose
   - ❖ Certification Statements
   - ❖ Verification documentation, if applicable
   - ❖ Refund calculations

2. College Work-Study
   - ❖ Eligible off-campus employment
   - ❖ Pay rates
   - ❖ Time records
   - ❖ Overawards

3. Fiscal Records
   - ❖ Separation of functions
   - ❖ Bank accounts
   - ❖ Recordkeeping
   - ❖ Fund requests
   - ❖ Audit trail
   - ❖ Institutional matching funds
   - ❖ Fund transfers
   - ❖ Reports and reconciliation

4. Perkins Loan Collection--Due Diligence
   - ❖ Promissory note
   - ❖ Disclosure statement
   - ❖ Exit interview
   - ❖ Grace period
   - ❖ Deferment or cancellation documentation
   - ❖ Prepayment contacts
   - ❖ Billing
   - ❖ Past due notices
   - ❖ Skiptracing
   - ❖ Collection

5. Institutional Policy and Procedures Manual
   - ❖ Satisfactory academic progress
   - ❖ Packaging criteria
   - ❖ Financial aid appeals process
   - ❖ Institutional refund policy
   - ❖ Determining cost of attendance

6. General Administrative Capability
   - ❖ Staff development program
   - ❖ Adequate staffing
   - ❖ Financial aid committee
   - ❖ Adequate and secure facilities
   - ❖ Coordination of program awards
   - ❖ Reconciliation of financial aid and fiscal office records
   - ❖ Interoffice coordination

7. Student Consumer Information

APPENDIX C

DESCRIPTION OF THE AUDIT PROCESS

A. Description

1. Purpose
   - ❖ To determine that financial operations are properly conducted
   - ❖ To determine that financial reports are presented accurately
   - ❖ To determine that applicable laws and regulations have been complied with
2. Source of Information
   - ❖ 1987-88 Program Year:
     Audit Guide, Student Financial Assistance Programs, May 1988
3. Content of Audit Guides
   - ❖ Authority for audits
   - ❖ Standards and objectives
   - ❖ Reference materials
   - ❖ Subject matter
     - Financial
     - Compliance
4. Frequency of Audits
   - ❖ At least once every 2 years
5. Types of Auditors
   - ❖ Commercial
   - ❖ State
   - ❖ Internal (if approved by ED)

B. The Audit Process

1. Preparation
   - ❖ Maintain complete and current records
   - ❖ Reconcile accounts monthly
   - ❖ Establish audit trails
   - ❖ Comply with all program requirements
   - ❖ Monitor entire operation, could use *Institutional Guide for Financial Aid Self-Evaluation*
   - ❖ See "A List of Materials for Audit Preparation" (Appendix D)
2. On-Site Audit
   - ❖ Both financial aid and business offices should be aware of dates
   - ❖ Have one person available to answer questions
3. Exit Conference
   - ❖ Auditor reviews findings
   - ❖ Keep minutes
   - ❖ Discuss differing interpretations
4. Auditor's Report
   - ❖ Three categories of findings
     - No exceptions and no expenditures challenged
     - Exceptions but no expenditures challenged
     - Exceptions and expenditures challenged
   - ❖ See "Audit Exceptions" (Appendix E)

5. Institution's Response
   - ❖ Present disagreement, if any, with auditor's conclusions
   - ❖ Indicate corrective actions taken or planned
   - ❖ Cite other facts or circumstances bearing on the issues
   - ❖ Reviewed by all parties affected by the audit
   - ❖ Submitted either with auditor's report or separately
6. Review by ED's IG for Audit
   - ❖ Regional Inspector General for Audit reviews report for format, completeness, adherence to standards
7. Review by OSFA
   - ❖ OSFA will review and either:
     - Concur with auditor
     - Modify auditor's recommendations
     - Ask institution for more information
   - ❖ OSFA then determines any dollar liabilities
8. Appeal
   - ❖ Institution may appeal OSFA findings
   - ❖ Institution must provide additional documentation:
     - Select a second random sample
     - Review entire population
9. Close-Out
   - ❖ OSFA notifies institution in writing that the audit is closed

APPENDIX D

A LIST OF MATERIALS FOR AUDIT PREPARATION

The following list has been compiled to facilitate your preparation for an audit. This does not necessarily mean these are the only materials required for an audit. Additionally, the composition of the list may vary depending on the programs in which your institution participates.

I. Institutional--General
- School catalogue
- Notice of Eligibility to Participate
- Program Participation Agreement
- OSFA program regulations and legislation
- OSFA program handbooks
- OSFA "Dear Colleague" letters, Pell Grant Action Letters, and Q & A's
- Institutional forms
- Institution's organizational chart and job descriptions
- Contracts with billing agencies and collection agencies
- Previous audits and institutional responses
- Previous program reviews and institutional responses
- Financial aid office policy and procedures manuals

II. Institutional--Financial
- Fiscal Operations Report(s) and Application(s)
- Authorization and Grant Award letters, plus appeals and revisions
- Pell Grant IPS and Statement of Account
- Student Payment Summary
- Pell Grant Payment Schedule(s)
- Institution's fidelity bond
- Bank accounts for federal funds
- Quarterly ED/PMS reports
- Cash requests
- Perkins cancellation listing
- Stafford/SLS/PLUS Student Confirmation Report

III. Student Records
- Institutional application
- SAR
- Need analysis output documents
- Award letter--institutional copy
- Award acceptance by student
- Award disbursement records
- Financial aid transcript
- Statement of Educational Purpose
- Perkins promissory note
- Perkins repayment and cancellation records
- Perkins repayment schedule
- CWS payroll records and time sheets
- Verification documentation
- Enrollment data
- Student eligibility documents
- Certification statements
- Refund calculations

APPENDIX E

EXAMPLES OF AUDIT EXCEPTIONS

General

Attendance Records--Inadequate
Bank Accounts--Not identified as containing federal funds and bank not notified
Consumer Information Service--Requirements not met
Drop-Out Rate--Excessive
Refund Policy--Not published
Satisfactory Academic Progress--Not monitored
School Aid Programs--Misrepresented to students
Staff--Inadequate/not reasonably well-trained

Pertain to All Programs

Accounting Records--Inadequate or not maintained properly
Accounting Records/Bank Statements--Not reconciled periodically/timely
Audit Report--Not prepared in accordance with audit guide
Audit Report--Not submitted on time
Audit Requirement--Institution has not complied with/is not aware of
Authorized Program Levels--Expenditures exceed
Award Changes--Not acknowledged by students
Award/Loan Limits--Maximum annual or cumulative award/loan limits exceeded
Bank Charges--Separate charges made to federal/Perkins account
Budgets--Improper or unreasonable
Cash--Excess balance(s) maintained
Checks/Transactions--Not identified to program(s)
Disbursements--Not made in multiple/equal payments
ED/PMS--Expenditures incorrectly reported to
Enrollment--Not verified before making disbursements
Falsification of Records--Deliberate
Financial Aid Transcript--Not obtained when students have attended other institutions
Financial Need--Aid received exceeds
Financial Need--Award package exceeds
Funds Improperly Used--For other than program(s) purposes
Improper Awards--Student(s) owe refunds under Pell, SEOG or SSIG/are in default status on Perkins or institutional Stafford Loan
Ineligible Programs--Awards to students in
Ineligible Students--Awards to non-citizens
Interest Earned--Not deposited to loan fund on investments/not returned to ED for other federal funds
Need Analysis--Changes in need and/or award not documented
Need Analysis System--Approved system not utilized
Negative Family Contribution--Incorrectly used in determination of need
Notification of Award/Method of Payment--Not given to students
Posting to Journals/Ledgers--Not done in timely manner
Receipts/Notice--Award/loan credited directly to student account without receipt or notice
Records--Not maintained for required minimum period
Recoveries (Program)--Not properly made if student does not attend/withdraws
Reports--Expenditures incorrect--not filed in a timely manner
Reports--Discrepancies exist between institutional ledgers and program(s) reports or applications
Separation of Duties--Awarding and disbursing functions not properly segregated

Statements of Educational Purpose--Signed statements not on file for all students for each enrollment period
Statements of Selective Service Registration Status--Signed certification statements not on file for those students required to register
Transfer of Funds--Improper inter-fund transfer
Tuition Refunds--Not made to students when applicable

Pertain to SEOG Program Only

Administrative Expense--Expenditures not documented
Improper Awards--Less than $200 minimum academic year limitation
Verification--Department of Education procedures not being followed

Pertain to Pell Grant Program Only

Cost of Education--Incorrectly calculated
Improper Awards--Awards to part-time students not properly prorated
Improper Awards--Incorrect calculation for clock hour or institution without fixed terms or semesters
Improper Awards--Made across academic year
Payment Schedule--Incorrect schedule used or schedule incorrectly used
SARs--Copy not on file at institution
SARs--Incorrectly mailed to institution
SARs--Student copy (Information Review Form) not returned to student
Verification--Department of Education procedures not being followed

Pertain to CWS Program Only

Administrative Expense--Expenditures not documented
Earnings--Federal share credited directly to student(s) account
Earnings--No monitoring system
Employer Agreement--Not written/improper for off-campus employees
Improper Payments--Students paid for hours not actually worked
Ineligible Employment--Jobs do not meet criteria for displacement, public interest, etc.
Ineligible Employment--Students employed by ineligible off-campus agencies
Institutional Charges--Students not paying institutional charges from federal share as required
Job Descriptions--Written descriptions not available
Matching Funds--Excess off-campus employer contributions not used to reduce federal share/not returned to employer or credited to future payrolls
Matching Funds--Full required matching percentage not provided
Matching Funds--Not provided in a timely manner
Matching Funds--Off-campus employer contribution account not separately maintained
Time Cards--Not maintained on a daily basis
Time Cards--Not submitted at least monthly
Time Sheets--Earnings not supported by
Time Sheets--Not signed by supervisor
Verification--Department of Education procedures not being followed
W-4E Forms--Not obtained/withholdings not made from earnings

Pertain to Perkins Loan Program Only

Administrative Expense--Expenditures not documented
Cancellations--Granted to ineligible students
Cancellations--Improper or not documented
Collection Agency--Fees excessive or not documented
Collection Agency--Not bonded

Collections--Amounts not credited to Perkins Fund
Conflict of Interest--Utilizes same agency for billing and collections
Deferments--Improperly granted
Default Rate--Excessive
Due Diligence--Billing and collection procedures inadequate
Exit Interviews--Not conducted
Exit Interviews--Not mailed to student if no in-person interview is performed
Interest--Incorrectly computed on repayments
Matching--1/9th contribution untimely or not deposited
Other Collection Costs--Loan Fund charged for unallowable costs
Promissory Notes--Not properly safeguarded
Promissory Notes--Unsigned, missing or improper
Repayment Plan--Incorrect monthly/quarterly payment amounts
Repayment Plan--Not based on quarterly or monthly plan
Section 207 Loans--Delinquent
Teacher/Military Cancellation Reimbursement--Amount reimbursed by ED for loans made on or after 7/1/72 not deposited to Loan Fund

Pertain to Stafford Loan/SLS/PLUS Programs Only

Notification to Lender--Failure to notify of changes in enrollment status/lack of timeliness
Student Confirmation Reports--Reports not submitted
Improper Calculation of EFC
Loan Certifications--Incorrectly Completed
Loan Checks--Released to ineligible students
Loans Made to Ineligible Parent or Student Borrowers
Verification--Department of Education procedures not being followed

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☆ U.S. GOVERNMENT PRINTING OFFICE : 1988 O - 202-546 (Book #18)

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